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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 331 **April, 1988**

Business in Virginia March, 1988 Data

Last year at this time, nearly all of Virginia's economic indicators were registering slower growth than in the first quarter of the preceding year - Virginia's economic growth was decelerating as expected.

A mild deceleration in Virginia's growth is expected for the year 1988. But, for now we have just the opposite result: Virginia's economic growth, both in March and for the first quarter of 1988, is higher than for the same period last year, for all of our economic indicators except bank debits (dollar volume of checks cashed) and retail sales. Especially in payroll jobs we have a continuing boom that resembles a stampede - not even the October stock market crash slowed it or caused it to waver. We will review the specific developments first for the current month and then for the year to date (all growth rates are the percentage changes from the same period a year ago).

Most Recent Month. Seven of the nine indicators in Table II are based on March data. Of these seven, only bank debits and our sample of retailers recorded worse performances statewide than last March, with declines of 14.5% and 1.3%, respectively. The other five not only achieved gains statewide, but larger gains than in March 1987. Building permits across Virginia jumped 23.8% this March, compared to an 8.1% rise last March, indicating extraordinary optimism among Virginia's building contractors. New car registrations climbed by 6.5%, about on par with the national increase of 7.8%. The other March gains were advertising linage, up 4.9%; electricity consumed, +3.4%; and water consumed, +1.8%.

Two indicators are lagged, showing February data. Nonagricultural employment rose a strong 4.6% in February, well above the nation's February-February growth of 3.1%. February retail sales in Virginia, as reported in Department of Taxation sales tax data, were a major weak spot in the recent numbers, showing a drop of 1.9% (nationally, total retail sales excluding the automotive group rose 2.6% in February). That decline plus our sample's March decrease is worrisome, but other signs indicate Virginians' planned consumption will exceed last year's level. Therefore we look for moderate retail gains in the coming months.

First Quarter. Table III shows the first quarter growth rates for the Virginia economy for seven of our indicators, and January-February rates for payroll jobs and taxable sales. For the full quarter, the dollar value of building permits across Virginia rose by 14.8%, more than double the approximately 6% national increase.

New car registrations for the quarter rose 10.5% statewide, a strong gain but well below the 16.9% national increase. For the quarter, our retail sample shows a small decline in sales per store, but the January-February taxable sales measure (using the December-January average as the first month, as explained in the last issue) shows a 4.1% rise, slightly better than the comparable national increase of 3.8%.

Electricity consumed was up 7.2% in the first quarter; and water consumption, 3.2%. Through February, nonagricultural payroll employment was up 4.5%. The growth of these three inputs points to strong growth in Virginia's output of goods and services in the first quarter, higher than was being experienced at this time last year.

In sum, Virginia in the first quarter recorded strong growth by most economic measures. This growth, coupled with the upward revision of the 1987 employment estimates (see the second article), means the current level of economic activity in Virginia is considerably higher than we expected last November. That high level and the current momentum insure there will not be a recession in Virginia in 1988. Last November the appropriate question seemed to be how much below expectations Virginia's 1988 economic performance might be. Today, the appropriate question is just the opposite: how much above our initial expectations will Virginia grow in 1988?

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Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change March, 1988 from March, 1987

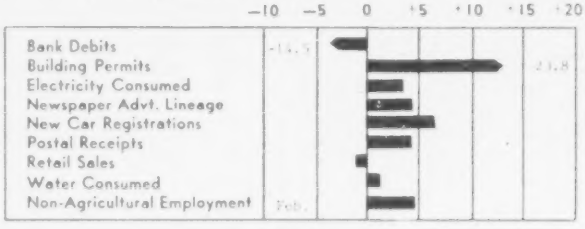
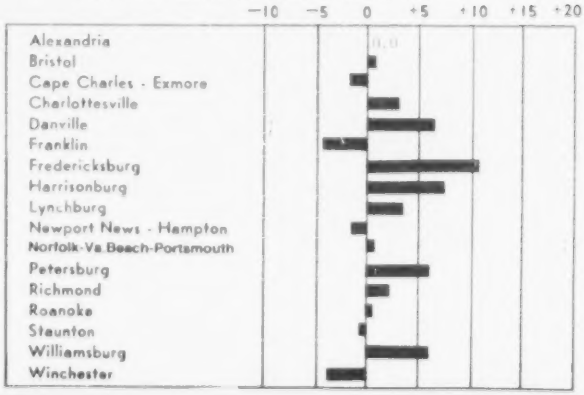


Chart II

City Indices

Percentage Change March, 1988 from March, 1987



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I March, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	February NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		198.8	287.0	162.1	105.8	165.9	141.9	87.3	188.3	395.6
Alexandria	152.1	526.7	2081.4	183.1	N.A.	144.8	193.0	94.9	149.0	N.A.
Bristol	147.0	N.A.	68.6	131.8	70.8	116.4	116.8	97.7	128.4	404.3
Cape Charles - Exmore	131.2	N.A.	341.9	160.6	N.A.	86.6	N.A.	N.A.	123.2	192.2
Charlottesville	181.5	200.7	189.1	148.9	N.A.	130.3	114.1	119.4	209.6	310.7
Danville	126.6	N.A.	233.3	108.9	140.5	94.1	98.5	76.2	N.A.	241.5
Franklin	148.7	N.A.	456.5	130.5	148.8	80.3	N.A.	89.1	145.2	305.2
Fredericksburg	329.9	220.9	112.7	N.A.	176.2	212.0	N.A.	76.7	241.3	1120.4
Harrisonburg	175.0	268.2	499.7	N.A.	177.1	94.6	N.A.	143.1	162.8	321.7
Lynchburg	239.2	403.7	111.2	141.1	N.A.	97.7	97.8	120.3	188.7	890.4
Newport News - Hampton	116.6	N.A.	561.2	136.9	94.5]	93.9	140.0]	105.0	120.9	N.A.
Norfolk - Portsmouth	148.6	527.4	279.8	177.5		110.4		82.2	197.5	N.A.
Petersburg	134.3	213.1	77.2	N.A.	34.8	85.6	132.2]	97.1	146.2	286.3
Richmond	154.0	419.7	133.3	176.0	129.1	126.1		101.6	116.3	350.0
Roanoke	167.4	318.5	58.7	120.7	179.1	74.9	120.0	103.9	174.5	384.2
Staunton	130.0	157.5	206.9	N.A.	97.2	96.6	N.A.	N.A.	115.8	238.8
Williamsburg	177.9	165.1	148.8	180.3	N.A.	130.5	N.A.	89.2	159.4	367.0
Winchester	141.8	401.3	69.7	146.3	N.A.	137.3	N.A.	N.A.	N.A.	N.A.

TABLE II March, 1988

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Feb. NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	Feb. RETAIL SALES ‡
The State		-14.5	23.8	3.4	4.9	6.5	4.6	1.8	-1.3	-1.9
Alexandria	0.0	17.7	95.4	6.6	N.A.	10.9	6.6	13.3	-16.2	11.2
Bristol	1.1	N.A.	19.6	9.0	-9.6	33.3	6.7	8.0	-5.8	-19.9
Cape Charles - Exmore	-2.1	N.A.	260.0	1.4	N.A.	3.0	N.A.	N.A.	1.4	-21.0
Charlottesville	2.9	-36.9	-74.7	-4.8	N.A.	3.1	7.0	1.3	11.3	-17.2
Danville	6.0	N.A.	252.7	1.1	11.6	24.5	1.3	-8.2	N.A.	5.9
Franklin	-4.9	N.A.	284.8	-3.5	7.5	-32.9	N.A.	-12.1	6.3	-17.2
Fredericksburg	10.9	6.7	-43.2	N.A.	6.6	14.9	N.A.	22.6	13.7	-9.2
Harrisonburg	7.3	-2.8	-35.8	N.A.	27.1	-7.4	N.A.	16.9	6.0	-3.4
Lynchburg	2.9	0.0	-71.4	1.4	N.A.	14.6	-0.4	6.4	5.4	-14.9
Newport News - Hampton	-1.5	N.A.	77.6	1.4	2.7]	-7.0	3.6]	-6.4	-0.7	-5.5
Norfolk - Va. Beach - Portsmouth	0.8	-24.2	3.3	1.4		1.3		-0.4	1.2	-5.2
Petersburg	5.9	28.4	-54.7	N.A.	0.3	23.5	4.0]	-6.6	14.1	-16.4
Richmond	2.3	-13.2	-20.0	2.3	-0.2	0.7		9.7	3.9	-7.6
Roanoke	0.6	-17.7	-37.7	2.4	8.1	-2.9	0.8	1.5	0.9	-7.6
Staunton	-0.4	6.0	-35.3	N.A.	8.6	30.5	N.A.	N.A.	-7.4	-19.0
Williamsburg	6.0	-4.7	213.3	5.3	N.A.	14.9	N.A.	16.6	7.4	-17.3
Winchester	-4.4	7.7	-44.2	-0.6	N.A.	-2.1	N.A.	N.A.	N.A.	-10.6

TABLE III

Percentage Change January – March from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Feb. NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	Jan.-Feb. RETAIL SALES ‡
The State		-6.9	14.8	7.2	1.8	10.5	4.5	3.6	-0.3	4.1
Alexandria	0.9	8.6	86.5	8.7	N.A.	7.0	6.5	2.7	-9.8	11.6
Bristol	0.2	N.A.	68.8	3.3	-13.5	28.4	5.6	4.3	-5.4	-10.3
Cape Charles - Exmore	6.3	N.A.	137.6	6.7	N.A.	39.3	N.A.	N.A.	-0.4	-7.2
Charlottesville	8.2	-36.5	-13.9	4.6	N.A.	23.3	7.2	2.9	8.9	3.0
Danville	14.0	N.A.	12.2	4.2	9.3	36.1	2.2	-1.2	N.A.	13.2
Franklin	-4.7	N.A.	238.7	-2.7	6.0	-19.7	N.A.	+6.2	-2.6	-12.2
Fredericksburg	6.5	12.3	-68.6	N.A.	3.8	3.0	N.A.	23.4	4.5	-0.3
Harrisonburg	7.4	9.5	-59.1	N.A.	22.5	12.2	N.A.	13.6	-1.4	7.5
Lynchburg	2.3	-5.3	-63.8	4.2	N.A.	14.5	0.2	-3.2	3.0	-9.5
Newport News - Hampton	-0.3	N.A.	19.3	3.9	-3.6]	-4.3	3.2]	-1.7	0.1	0.1
Norfolk - Va. Beach - Portsmouth	3.6	-19.5	-60.8	10.3		0.8		3.9	6.6	-1.8
Petersburg	7.5	44.1	48.3	N.A.	-2.8	35.1	4.1]	16.4	4.5	-6.4
Richmond	4.2	-2.7	-7.0	6.2	4.1	12.2		7.3	0.1	1.5
Roanoke	2.4	-4.6	45.5	5.4	4.1	0.8	1.2	8.4	-1.4	6.0
Staunton	16.0	1.8	-16.1	N.A.	7.9	40.4	N.A.	N.A.	18.8	-8.9
Williamsburg	2.1	-2.6	12.2	4.8	N.A.	15.9	N.A.	-0.3	0.0	-5.4
Winchester	10.0	7.9	-50.6	2.1	N.A.	24.9	N.A.	N.A.	N.A.	2.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
]Only total MSA data are available for these areas

N.A. — Not Available
O.O. — No Change

Employment Growth in Virginia, 1987

John B. Schisa, Bureau Research Staff

The annual benchmark revision of the Virginia Employment Commission's nonagricultural employment data has been released, providing updated estimates of 1986 and 1987 payroll employment. Included in the data are nonagricultural employment levels for the state and its eight Metropolitan Statistical Areas (MSAs) by industry category. As in past years, the Bureau has constructed two tables to track Virginia's performance, overall and in nine industry groups. Geographically, the tables cover the state, the nonmetropolitan areas, the sum of the MSAs, and each individual MSA. Table IV shows the 1987 nonagricultural employment levels and Table V provides the 1986-1987 growth rates in percentages.

Total nonagricultural employment grew at a very strong 4.7%, an increase of 120,400 jobs. This growth was well above the Bureau's forecast and the preliminary monthly employment reports, both of which estimated the increase at 3.0%. The actual gain of 4.7% is stronger than the 4.2% rise in 1986. Thus payroll job growth did not decelerate in Virginia in 1988, even though other measures such as real income and real retail sales did grow at slower rates.

Four industry groups represented the bulk, 86%, of this growth. Numerically, Services led the way with 47,100 new jobs, an 8.1% increase. Wholesale and Retail Trade was second with 31,400 new jobs, up 5.4%. Finance, Insurance, and Real Estate (FIRE) and Construction were also healthy with 12,100 (+9.2%) and 12,500 new jobs (+7.4%), respectively. The other 5 industry groups had positive growth ranging from Transportation and Public Utilities' increase of 5,100 jobs (+3.7%) to the Durable Goods Manufacturing addition of 200 jobs (0.1%). Honorable mention goes to State and Local Government for an increase of 6,500 jobs (0.8%).

Contrary to Bureau expectations, the Northern Virginia MSA posted an impressive accelerating gain with job growth rising to 7.4% (48,000 new jobs) in 1987 from 6.7% in 1986, remaining the pacesetter for the state. The Northern Virginia increase was 40% of the total state gain and raised the area's payroll employment to 707,300 total jobs. This MSA led in all industry groups except Durable Goods Manufacturing in the number of jobs added. The 22,500 new service jobs in Northern Virginia alone exceeded the total job growth in the Hampton Roads and Richmond-Petersburg metropolitan areas of 20,000 and 19,600, respectively. In terms of percentage growth rates, North ern Virginia led in Nondurable Goods Manufacturing, +5.1%; Transportation and Public Utilities, +8.3%; State and Local Government, +5.2%; and, most impressively, Services, +11.3%.

NONAGRICULTURAL EMPLOYMENT IN VIRGINIA

TABLE IV Average Employment in Thousands, 1987

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	2678.1	201.5	227.5	182.0	142.2	610.4	143.9	626.4	170.0	356.4
Nonmetro Areas	654.6	1.6	77.3	44.3	27.7	133.5	17.3	118.6	17.5	97.0
Sum of SMSAs	2023.5	200.0	150.0	137.7	114.5	476.9	126.6	507.8	152.5	261.4
Northern Virginia	707.3	36.[illegible]	74.5	52.4	49.5	139.9	46.1	222.5	74.7	88.4
Bristol	31.1	10.4	4.4	0.9	1.1	3.8	1.2	4.7	0.4	4.0
Charlottesville	63.1	3.[illegible]	1.1	3.6	2.2	11.2	3.5	11.7	1.3	20.9
Danville	46.1	6.2	13.8	1.7	1.0	6.4	1.2	5.8	0.3	4.7
Lynchburg	71.8	13.4	8.4	3.4	2.9	14.3	3.8	14.1	0.5	8.9
Hampton Roads	551.1	48.7	18.9	19.3	26.0	115.3	26.8	129.7	35.4	71.1
Richmond/ Petersburg	499.3	18.9	43.9	29.7	22.9	104.9	35.9	91.6	16.5	72.9
Roanoke	129.1	11.9	8.0	7.1	8.9	12.9	8.1	27.3	3.4	11.9

TABLE V Employment Percentage Changes, 1986-1987

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	4.7	0.1	5.1	7.4	3.7	5.4	9.2	8.1	1.1	1.8
Nonmetro Areas	3.7	1.3	5.9	3.1	1.1	3.8	1.8	5.4	-0.5	-0.9
Sum of SMSAs	5.0	-0.1	5.1	8.1	5.5	6.1	10.2	9.9	1.5	2.8
Northern Virginia	7.4	0.2	5.1	9.2	8.3	9.2	11.9	11.1	2.3	3.2
Bristol	3.3	1.0	-0.2	0.0	0.0	-1.0	20.0	4.4	0.0	-2.1
Charlottesville	4.1	0.0	0.1	9.1	4.8	8.1	12.9	3.1	8.3	1.0
Danville	0.0	-0.1	2.2	-10.5	0.0	1.1	0.0	0.0	0.0	-2.2
Lynchburg	3.0	0.0	11.4	0.0	0.0	5.9	10.4	1.4	0.0	-4.3
Hampton Roads	3.8	0.0	0.1	0.0	0.0	4.0	0.0	0.1	-0.4	-2.7
Richmond/ Petersburg	4.1	0.1	-0.7	0.0	4.1	0.0	5.5	3.2	1.8	2.4
Roanoke	2.4	-0.1	-1.0	0.0	-0.4	4.8	5.5	1.8	0.0	0.5

The Richmond-Petersburg MSA also experienced accelerating job growth, increasing its growth rate from 3% in 1986 to 4.7% last year, an increase of 19,600 jobs. The most jobs were added in Services (+7,700) and Wholesale and Retail Trade (+3,500). Services and Construction recorded the strongest percentage gains at 9.2% and 10.8%, respectively. The Richmond-Petersburg MSA employment levels remained dominant in Nondurable Goods Manufacturing and State and Local Government. However, growth rates were mixed in these important sectors, with a decline of 0.9% in the former and a moderate increase of 2.4% in the latter.

The Charlottesville MSA recorded close to a doubling of its job growth rate, from 2.5% in 1986 to 4.5% in 1987, adding 2,800 new jobs. Although its growth rates in individual industries generally were not the highest among the eight MSA's, Charlottesville displayed exceptional balance, with superior growth rates in all but two of the nine industry groups. The two most rapidly growing industries in percentage terms were FIRE, up 12.9%, and construction, with a gain of 9.1%. In sheer numbers, though, the increase of 1,000 jobs in Wholesale and Retail Trade and of 800 Service sector jobs accounted for almost two-thirds of the Charlottesville job growth.

The Hampton Roads MSA had the next best growth rate, a stable 3.8% representing 20,000 additional jobs. This gain came mostly from Services (+9,700), Wholesale and Retail Trade (+5,300) and FIRE (+2,400). These industry groups along with Nondurable Goods Manufacturing and State and Local Government logged moderate growth rates. This growth was tempered by some losses in Federal Government (-0.4%) and Durable Goods Manufacturing jobs (-3.6%). Hampton Roads still dominates total Durable Goods Manufacturing employment in Virginia despite this loss.

The Roanoke MSA continued its decelerating employment growth at 2.3% in 1987 (down from 3.5% in 1986) with a total increase of 2,700 jobs. Most of the increase came from Wholesale and Retail Trade (+1,500 jobs) and Services (+1,000 jobs). These two industries as well as Construction and FIRE had moderate to strong growth rates. Significant percentage losses in the Manufacturing industries and Transportation and Public Utilities coupled with flat growth in the Government sectors checked the good gains in Wholesale and Retail Trade, Services, Construction, and FIRE, holding down Roanoke's overall employment growth.

Among the three remaining MSAs, Bristol recorded a 3.3% gain with Danville not far behind at 3.1% while Lynchburg trailed with a 2% growth rate. For Danville and Lynchburg, these 1987 growth rates exceeded their 1986 performances. Danville's growth (1,200 new jobs) was either positive or flat across the nine industries - no minuses this year. The Danville MSA led all others in Construction with a growth rate of 21.4% (300 new jobs) after a flat 1986. The Lynchburg MSA showed strong growth in FIRE, +15.2%, Construction, +9.7%, and Wholesale and Retail Trade, +7.4%, for an overall addition of 1,400 jobs. This growth was impeded by losses in Nondurable Goods Manufacturing, -3.4%, and State and Local Government, -1.1%.

The Bristol MSA led all MSAs in Durable Goods Manufacturing with a growth rate of 11.5% and 600 new jobs, and in percentage growth of the FIRE sector with a growth rate of 20%. However, Bristol's overall employment growth was hindered by losses in Nondurable Goods Manufacturing and State and Local Government and little growth in the remaining industries. All three of these MSAs show a continued resurgence in the Manufacturing industries as sources of new jobs as well as a generally moderate to strong showing in most of the nonmanufacturing industries.

Historically, nonagricultural employment growth has been concentrated in Virginia's MSAs, and 1987 reaffirmed this fact. The MSAs increased their share of total nonagricultural employment to 75.6% by providing 97,200 new jobs, 81% of the state's total growth. The three largest MSAs once again dominated this growth, adding 88,100 new jobs, 73.2% of Virginia's total payroll job growth. JBS

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